

Gao Xiaofeng

Internationalization of Chinese SMEs lessons to be learned from Finnish SMEs

Case study- internationalization of Finnish SME
and Chinese SME

Bachelor Thesis
Business Management

May 2011



MIKKELIN AMMATTIKORKEAKOULU

Mikkeli University of Applied Sciences

DESCRIPTION


 <p>MIKKELIN AMMATTIKORKEAKOULU Mikkeli University of Applied Sciences</p>		Date of the bachelor's thesis 16 th May, 2011
Author Gao Xiaofeng		Degree programme and option Business management
Name of the bachelor's thesis Internationalization of Chinese SMEs lessons to be learned from Finnish SMEs Case study- internationalization of Finnish SME and Chinese SME		
Abstract <p>With the Chinese thirty years' reform and opening up with the increasingly diverse needs of the people, countless small and medium-sized enterprises (SMEs) have sprung up and flourished in China. There are a lot of Finnish SMEs, which have already taken the steps of internationalization and in this respect they could in some extent be examples for the Chinese companies. An interesting question is how much of the experiences and successful practices of the Finnish SMEs could be utilized by the Chinese SMEs?</p> <p>The purpose of the present study is to develop a framework for internationalization for Chinese SMEs operating in software industry based the experiences of Finnish SMEs. The objective of the study shall be met by answering the following research questions: How compatible are the Chinese and Finnish SMEs operating in software industry? How have successful Finnish SMEs in software industry formulated their internationalization strategy? How could Chinese software SMEs' best utilize the strategies of Finnish SMEs?</p> <p>The research results is matched with the theoretical framework, the motivation of internationalization is the same of both companies, the entry mode is utilized by Finnish company, and Chinese company take more passive way on internationalization process, international strategy is also utilized by both company, and it seems the cooperation is works find, and both parties are looking for the possibility of deeper cooperation with each other.</p>		
Subject headings, (keywords) Internationalization, SMEs, strategy, export, Finnish SMEs, Chinese SMEs		
Pages 44	Language English	URN
Remarks, notes on appendices		
Tutor Juha Haimala		Employer of the bachelor's thesis

TABLE OF CONTENTS

1. INTRODUCTION.....	5
2. INTERNATIONALIZATION OF COMPANIES	7
2.1 The definition of international business	7
2.2 Motives to do international business	8
2.2.1 Expand sales	8
2.2.2 Acquiring resources.....	8
2.2.3 Minimizing risk	9
3. MODES OF ENTRY TO INTERNATIONAL BUSINESS	9
3.1 Export-based methods	10
3.2 Non-equity methods	11
3.3 Equity methods.....	13
4. INTERNATIONALIZATION STRATEGY OF SMES.....	13
4.1 International strategy	14
4.2 Some examples of internationalization strategies	16
4.3 International strategic alliances and Global partnership.....	18
4.3.1 International strategic alliances	18
4.3.2 Global partnership	20
4.4 Failure and successful of global partnerships.....	20
5. CURRENT SITUATION OF CHINESE SMES INTERNATIONALIZATION	
21	
6. METHODOLOGY.....	22
6.1 Definition of quantitative research method and qualitative research method ..	22
6.2 The characteristics of qualitative research method.....	23
6.3 Qualitative research method process	24
6.4 Interview as data collection method.....	24
7. CASE STUDY OF INTERNATIONALIZATION OF FINNISH SMES	26
7.1 Overviews of the MHG system and Company A	27
7.2 Interview conducted	28
7.3 Results of the analysis of the data from the interviews	28
7.3.1 MHG.....	28
7.3.2 Company A	30

8. DISCUSSION	32
9. SUGGESTION AND CONCLUSIONS	36
BIBLIOGRAPHY	39
APPENDICES	41

1. INTRODUCTION

With the developments in transportation, information technology, and communication technology, Economic Globalization has become an inevitable trend, which requires all companies to have an internationalized sight in order to take part in the international division of labour and profit sharing.

With the Chinese thirty years' reform and opening up with the increasingly diverse needs of the people, countless small and medium-sized enterprises (SMEs) have sprung up and flourished in China. On the other hand, continued existence and development of these SMEs plays an important role of the sustainable development of China's economy. However, many of these SMEs are in a "family workshops shadow", afraid of making the giant leap to grow when they are suffering from the lack of potential for innovation and technology. Practically all companies have limited resources and this is especially true with the smaller ones. Hence, from their perspective focusing the very limited resources is vital for their existence. But still, in order to survive and grow, these SMEs must consider internationalization, so as to adapt the trend of China's accession to WTO.

There are a lot of Finnish SMEs, which have already taken the steps of internationalization and in this respect they could in some extent be examples for the Chinese companies. An interesting question is how much of the experiences and successful practices of the Finnish SMEs could be utilized by the Chinese SMEs?

The purpose of the present study is to develop a framework for internationalization for Chinese SMEs operating in software industry based on the experiences of Finnish SMEs. The objective of the study shall be met by answering the following research questions:

1. How compatible are the Chinese and Finnish SMEs operating in software industry?
2. How have successful Finnish SMEs in software industry formulated their internationalization strategy?
3. How could Chinese software SMEs' best utilize the strategies of Finnish SMEs?

The present study develops a theoretical framework concerning the internationalization strategies of companies and entry modes to international markets. The theoretical framework is then applied in the empirical part of the study in which a successfully internationalized Finnish SME operating in software industry is assessed. A synthesis of the theoretical framework and the results of the analysis of the data are utilized to develop a proposed framework for the Chinese SMEs for internationalization.

Based on 20.5.2003 EN Official Journal of the European Union L 124/41 qualify as micro, small and medium-sized enterprises (SMEs) if they fulfil the criteria laid down in the Recommendation which are summarized in Table 1 below. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

Table 1: Definition of SMEs by EU commission (20.5.2003 EN Official Journal of the European Union L 124/41)

Enterprise category	Headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ 50 million	≤ 43 million	
Small	< 50	≤ 10 million	≤ 10 million	
Micro	< 10	≤ 2 million	≤ 2 million	

And Günter Verheugen, Member of the European Commission, who is responsible for Enterprise and Industry, says: “Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment” (EN Official Journal of the European Union, 2003, 124).

This thesis report has 8 different chapters. After the introduction the theoretical basis of the study is presented. After the theoretical framework the methodology applied in the empirical

part of the study is introduced. The results of the data analysis are presented in chapter 4, which is followed by the discussion chapter 7 in which the conclusions are drawn. The concluding remarks are presented in chapter 8.

2. INTERNATIONALIZATION OF COMPANIES

Internationalization is a way of designing and producing products that can be easily adapted to different locales. This requires extracting all language, country/region and culturally dependent elements from a product. In other words, the process of developing an application whose feature design and code design do not make assumptions based on a single locale, and whose source code simplifies the creation of different local editions of a program, is called internationalization (Luo Wen-hao 2009, 5).

International business is not limited to giant multinational enterprises. Many small and medium-sized businesses are also involved in this arena (Rugman & Hodgetts 1995, 6). At the beginning of the start-up an enterprise is not expected to internationalize, but once a firm's business is stable, when there is excess capital and technology to support its internationalization then the firm will consider to be engaged into international business, because the foreign country has more market share, more profitability. As a businessman, every business owner will do everything possible to find ways to help businesses grown, and if they can stand on the international stage, further on the development will be large, it is without doubt.

2.1 The definition of international business

International business consists of all commercial transactions between two or more countries (Daniels 2009). There is a very good example to illustrate the multifaceted nature of international business by referring to a U.S. computer manufacturer DELL., Its micro-chips may be manufactured in Taiwan, the external devices are produced in Japan, the assembly can be carried out in China, the total design of the computer may be done in Europe, and finally laptop computers under the brand the DELL are sold worldwide by the US company. In this mode of operation, this company is operating its resources to achieve a high degree of internationalization.

2.2 Motives to do international business

There are three major motives that may cause company to engage in international business: expand sales, acquiring resources and minimizing risks (Daniels 2009).

2.2.1 Expand sales

Sales are always important to a company, and increasing sales is a major motive for a company's expansion into international markets. As we all known some large enterprises, like Coca-Cola (USA), Carrefour (France), Sony (Japan), Nokia (Finland), are all engaged in the international business and made a magnificent success in their domain, and all of these make a huge profit from that, even make much more profit than their domestic markets (Li Jia-wei 2009, 121). However, SMEs are also depending on foreign markets. In China, Guangdong is famously known as "World Factory". In Guangdong Province in October 2010 the total amount of imports and exports by private SMEs exceeded the amount of 786 billion dollars (Guangdong 2010). As we can see Chinese SMEs are now more and more integrated in the international business.

2.2.2 Acquiring resources

On one hand resources in this term are not only to gain the cheap labour force, but also to include new or better products, and additional operating knowledge (Daniels 2009).

On the other hand, acquiring resources can display one country's limitations and weaknesses, because integrating resources and advantages can create a bunch of new products, and also open access to new markets.

2.2.3 Minimizing risk

Operating in countries with different business cycles can minimize swings in sales and profits (Daniels 2009). But in my understanding, for instances, an American company, if their domestic market is full, so to look for an new market is less risks than to continue to explore domestic market. On the opposite other side, internationalization has more risk, because the differences of culture, living style and living background, and also a lot of unpredictable elements, for instance, nature disaster, political factors, these factors are vital question to consider about engaging into a new market.

3. MODES OF ENTRY TO INTERNATIONAL BUSINESS

Exporting and importing are the most popular modes of international business, especially among smaller firms (Daniels 2009), and exporting the primary foreign market entry mode used by small businesses in their internationalization efforts (Leonidou & Katsikeas, 1996). Generally, internationalization by exporting has been considered as an important way to expand the companies. Exporting is still a significant way for SMEs, but during the last decade, firms have concentrated on different business activities as ways of internationalization and considered them to be important means to achieve competitive advantages (Masum & Fernandez 2008).

There are three basic entry decisions that management has to consider before going international according to Hill (2007):

- a. Which market: the one being more attractive to the firm, seeking a balance between benefits, costs and risk.
- b. When to go abroad: or timing of entry can be described either as first-mover or later entrants.
- c. The scale: a firm can enter on a large or small scale depending on the involvement of commitment they (the firm) are willing to have.

According to Stuart and Bronwen (2001, 20) once a firm has decided to internationalize, this may take place in a wide variety of ways, most of which fall into three broad categories: export-based methods, non-equity methods, and equity methods.

3.1 Export-based methods

Stuart & Bronwen (2001, 20-21) propose that export-based methods are separated into two parts: indirect export and direct export. Direct export means that the products for export are manufactured in the company's domestic country and sold to foreign markets directly by the firm itself. Indirect export means that the company sells its products overseas through business intermediaries, and lets the intermediaries to be responsible for products to enter the target markets.

There are many indirect export channels: the domestic exporters, the domestic export agents, export management companies, cooperative organizations. These two methods are the most common methods and a significant internationalization strategy for big firms. Also plenty of SMEs, which have tried to enter the international market, have also used these two methods. These are also like a "starting point" of a company, which wants to engage in the international market, and has laid down the solid foundation for international cooperation (Stuart & Bronwen 2001, 20).

There are some advantages of export-based methods. Firstly, direct export can increase the defending power against the market risk, as it decreases the adverse effect of domestic market shrink. This is very important for the SMEs because often their market is based on the domestic market, and if the domestic market shrinks, it will be difficult for them to survive. Secondly, if a firm sells its products directly to overseas from their domestic manufacture base (direct export), the firm can control the research, the design and the production decisions. If manufacturing is divided into different parts of the world, the company may lose its control of the operations. To maintain research, development and production decisions tightly in its control is essential for the SMEs, because it is conducive to protect the critical technologies, and promote rapidly of product upgrading (Stuart & Bronwen 2001, 20).

And also there are some disadvantages in export-based strategies. Firstly, the company itself has to deal with many barriers of foreign markets, like tariff and plenty of non-tariff barriers.

Secondly, the fluctuation of the exchange rates makes the company face a lot of risks (Stuart & Bronwen 2001, 20).

. Currency rates may be changing every day reflecting the situations in the world. And different countries use different currencies to evaluate the cost, so the currency rate change will affect a lot.

Thirdly, it is more difficult or costly to maintain a successful relationship with foreign importers. If you want to export your products to other country, you have to co-operate with a foreign company to deal with the whole process (storage, transport, sell etc.). So you have to have a good relationship with them and of course it will be expenditure (Stuart & Bronwen 2001, 21).

Lastly, the various items of expenditure for export will also increase the burden on business. If a company has to deal all of things it will be hard, and also one little mistake will ruin the business (Stuart & Bronwen 2001, 21-23).

3.2 Non-equity methods

In this form of internationalization, companies sell technology or know-how under some form of contract, often involving intellectual property, like patents, trademarks and copyrights (Stuart and Bronwen 2001, 22). The current internationally applied non-equity methods have three forms: licensing, franchising, and subletting.

Licensing can mean permission granted by the proprietary owner to a foreign concern (the licensee) in the form of a contract to engage in an activity that would otherwise be legally forbidden (Stuart and Bronwen 2001, 22).

The licensee buys the right to exploit a fairly limited set of technologies and know-how from the licensor; this tends to be a low-cost strategy for internationalization since the foreign entrant makes little or no resource commitment (Stuart and Bronwen 2001, 22).

Stuart and Bronwen indicated (2001, 22) that the licensor benefits from the licensee's local knowledge and distribution channels which would otherwise be difficult and time-consuming to develop and maintain.

There are some advantages in licensing. Firstly, licensing can generate profits from current product or technology without investing more to them. For example a Chinese shoe manufacture company buys a new machine from Germany, and Nike thinks that this new technology can produce their new product. Hence, they sign a contract in which Nike lets this Chinese company to produce their new product.

Secondly, it is a good way to get into foreign market. As I mentioned in previous example, the Chinese company's product is using Nike's brand to get to international market.

There are also some disadvantages in licensing. Firstly, the level control may become low. The licensor company may not have complete control of the product or the production procedures, or it may not be possible to control the quality. Secondly, licensing may result in new competitors. The licensee may only look for opportunities to learn in order to start competing with the licensor.

Franchising is a specific mode of licensing. In franchising the franchisee purchases the right to undertake business activity using the franchisor's name or trademark rather than any patented technology (Stuart and Bronwen 2001, 23). In United States of America, franchising is becoming the fastest growing trade form.

There are some advantages in franchising. Firstly, it is easy to get engaged into the international market without spending a lot of money. For example, supermarkets like Metro and Wal-Mart can be seeing all over the world. Secondly, selling the intellectual property rights can promote to the company's fame. A good example is Intel, because nowadays most of us are using Intel's product, and its name is known by everyone.

There are also some disadvantages in franchising. One of the majority limitations is that franchising is mainly used in service business, not for the high technology business.

On the management level the power of management it is easy to lose control, especially in a developing country, because the government will interfere to the economy or the political system is in unstable situation and will cause some trouble on business activity. Also, culture differences and language will become a barrier.

3.3 Equity methods

These essentially refer to the use of FDI by the firm as a means of competing internationally in the modern global economy. The major advantage of this method is that the firm secures the greatest level of control over its proprietary information and therefore over any technological advantages it might have (Stuart and Bronwen 2001, 24). FDI means that firms invest overseas, and the core of this investment is to control the business management. Stuart & Bronwen's book (2001, 24-29) indicated three major forms of equity methods: joint ventures, acquisitions and "Greenfield" investment. These methods are using a large amount of money, and will waste a huge amount of resources, so is not suitable for the SMEs.

4. INTERNATIONALIZATION STRATEGY OF SMES

Talking about international strategy, we have to know what business strategy is. Business strategy is that involves devising the principles which influence the direction and scope of the organizations activities over long term (Stuart & Bronwen 2001, 201). Strategy of international development is in the background of economic globalization, enterprises actively participate in the world division of labour, from domestic business toward to the global business development in the process of making strategic choices. From a macro point of view, the enterprise is the international development strategy to enhance their core competitiveness as the goal, through the enterprise system innovation, technological innovation, brand innovation, and nurture talent to integrate into the international process. From the microscopic point of view, corporate international strategy is the choice of target foreign markets, market entry mode choice, and selection of competitively specific market strategy.

4.1 International strategy

Business strategy is very important for a company, especially for SMEs, because SMEs do not have many chances to make a mistake that maybe will affect the whole company, even to break down a company. International strategy is about how firms compete in increasingly internationally competitive markets (John and David 1995, 4). John and David (1995) indicated an integrated approach to international business strategy in *Figure 2*:



Figure 2: An integrated approach to international business strategy (John and David 1995, 5)

Figure 2 shows that a good international business strategy must get information from different point of views. We could also say that, a good international business strategy should include the following aspects, international business, strategic management, international finance, organizational development and international marketing (John and David 1995).

Once a company wants to engage the international market, the major reason is to increase current sales of products or geographically getting closer to the client or else to attract high-tech personnel or for lower the cost or to increase the competitive strength. Clearly, different strategy aims will require different strategy combinations. Once a firm decides the objective to be internationalization, then it has to decide which market will be engaged or which region should be thought about first. Even more, the company has to rely on different types of strategy, test the market in forward and then to summarize the results and experiences, modify the strategy and enhance the power to attack the objective market.

If one company's international process is on-going, the manager of the company will get most pressures from local responsiveness, such as distribution channel difference, regional custom difference, customer demand difference, differences in infrastructure and traditional practices. Pressures for local responsiveness implied that it may not be possible for a firm to realize the full benefits from economies of scale, learning effects, and location economies. And it also implies that it may not be possible to leverage skills and products associated with a firm's core competence sale form one nation to another. How do differences in the strength of pressures for cost reduction versus those for local responsiveness affect the firm's choice of strategy? Firms typically choose among four main strategic postures when competing internationally. These can be characterized as a global standardization strategy, a localization strategy, a transnational strategy, and international strategy. See Figure 3 (Hill 2007, 437).

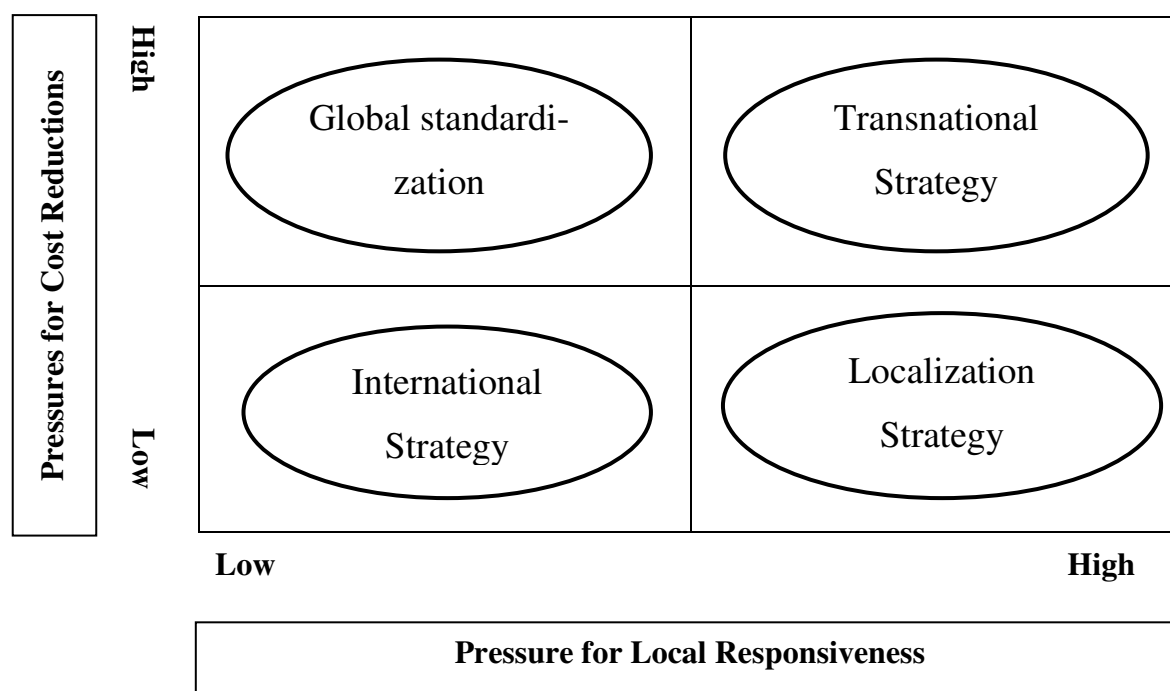


Figure 3: Four Basic Strategies (Hill 2007, 437)

4.2 Some examples of internationalization strategies

Firms that pursue a global standardization strategy focus on increasing profitability and profit growth by reaping the cost reductions that come from economies of scale, learning effect, and location economies; that is, their strategic goal is to pursue a low-cost strategy on a global scale (Hill 2007, 434).

Global standardization strategy in my understanding is to see a global market as a unified market, and to gain the best resources from the world and sell it to the world. These require the firms have to connect with different subsidiaries, though the international business net to get the resources and sell products. This strategy considered different demand from domestic country, and also considered the whole benefit of the whole company. This way is more and more becoming a main trend of firms which want to engage international market. But I think this strategy need high management skill to control all the subsidiaries, and it will cost a huge amount of money too.

Localization strategy are focus on increasing profitability by customizing the firm's goods and services so they provide a good match to tastes and preferences in different national markets (Hill 2007, 437).

In the interests of the parent company and the value judgments made under the management strategy, which aims for a high degree of integration of the image and strength take the initiative in international competition, gain a competitive advantage. This strategy is characterized by a parent company focused on product design, development, production and sales coordination, highly centralized management, management decision-making power by the parent control. This strategy has the advantage of centralized management that can save a lot of the costs and disadvantages of the product needs of the host country's ability to adapt to local market differences.

Firms that pursue a transnational strategy are trying to simultaneously achieve low costs through location economies, economies of scale, and learning effects, differentiate their product offering across geographic market to account for local differences and foster a multidirectional flow of skills between different subsidiaries in the firm's global network of operations (Hill 2007, 438).

Talking about international strategy, we have to mention *Uppsala internationalization model* (Johanson & Vahlne 1977). A number of Swedish researchers, Johanson, Wiedersheim-Paul and Vahlne, at the University of Uppsala studied the internalisation process during the 1970s. They were influenced by Penrose's theory on the growth of the firm. The Uppsala model seeks to explain and predict two aspects of internationalisation of the firm: the step-by-step pattern of industrial development within individual national markets and the expansion of companies across national markets, as they move from nations which are proximal to those which are increasingly psychically distant. Johanson, Wiedersheim-Paul and Vahlne studied the internationalisation of Swedish manufacturing companies and developed a model of the companies' choice of market and form of entry when going abroad. It is a dynamic model that describes the internationalisation of the company as a process. This model was started from Swedish manufacturing companies at the beginning of their internationalization process by establishing it in the Nordic countries. According to the stage model the Swedish researchers stressed that Swedish manufacturing companies began to operate abroad in a nearby market

and then slowly penetrated markets far away. At the 1970s, the Eastern Europe was controlled by the Soviet Union, so they did not have an open market, so first the country nearby is a very good choice. But Since the Uppsala model was presented in 1977 there have been various criticisms of the theory. But from the strategy point of view it is a very good international strategy (Obitea, 2010).

4.3 International strategic alliances and Global partnership

Successful internationalization does not necessarily require that the company possesses all of the necessary skill and competences within its own organization. Cooperation with suitable partners may provide with a possibility to access the international markets with lower costs and sometimes even faster than by for example investing in the new markets. The elements of partnerships are next discussed.

4.3.1 International strategic alliances

International strategic alliances have been used increasingly as companies recognise the need to develop as a worldwide competitor and/or survive by operating with less than global scale and scope (Ellis & Williams, 1995, 320). By seeking to develop a strategic alliance the organisation is signalling its wish to collaborate rather than compete with another organisation (Ellis & Williams, 1995, 320).

Ellis and Williams (1995) pointed out there are three motives for strategic alliances vary, but include the desire to:

- Access to knowledge, expertise and skills possessed by another organisation
- Achieve entry to new geographical markets
- Spread financial risk

Access to knowledge, expertise and skills possessed by another organisation, this factor has been a key driver to the formation of many international strategic alliances. For the formation of a strategic alliance to be of interest to both parties, each must possess a different configuration of core competences and resources. It is also must be an attractive option as independ-

ently developing or acquiring the missing competence or resource base (Ellis & Williams, 1995, 320).

Achieve entry to new geographical markets was also an important part. The strategic alliances may enable an organisation to gain access to an established distribution network relatively quickly and cheaply. Additionally, for many emerging countries governments may require worldwide competitors to establish joint ventures with local companies as a precondition for allowing entry to the market (Ellis & Williams, 1995, 320).

Companies may enter international strategic alliances as a way of spreading the financial risk of entering a new geographical market where there is perceived to be a substantial economic or political risk; and/or developing new technologies (Ellis & Williams, 1995, 320).

The nature of an international strategic alliance varies and, following Faulkner (1995), it is possible to identify three generic types, which are:

- Joint ventures
- Non-joint ventures (collaboration)
- consortium

A joint venture is a separate legal entity, with the partners the alliance normally being equity shareholders. To form the joint ventures the partners will usually provide the resources to allow it to become established, and may subsequently provide additional resources. The intention of establishing a joint venture is generally to enable the company to become a free-standing organisation in its own right (Ellis & Williams, 1995, 321-322).

Non-joint venture are forms of collaboration where a separate legal entity has not been created, although there may be cross-company shareholdings. One of the advantages of such agreements is that, given their flexibility, they are capable of being extended and developed over time if the initial relationship between the partners to the agreement proves successful (Ellis & Williams, 1995, 322).

In respect of an international strategic alliance, a consortium describes a situation where a number of partners come together to undertake what is often a large-scale activity (Ellis & Williams, 1995, 320).

4.3.2 Global partnership

According Lasserre & Schutte (1995, 209) also indicated, global partnership have been defined as cooperative ventures in which independent partners combine resources, assets and competences to improve their overall competitiveness in global or regional markets.

Global partnerships include everything from spot transaction (that is, buying and selling without further commitment) to mergers and acquisitions, where independent firms evolve into unified organisations. They also include informal partnerships, mutual agreements regarding consortia and associations for intelligence gathering and lobbying; and contractual agreements covering, for example, OEM supplies and equity investments, and occasionally cross-shareholdings (Lasserre & Schutte 1995, 209).

4.4 Failure and successful of global partnerships

Many global partnerships that were originally concluded with high hopes end in a premature break-up or linger on without ever achieving anything substantial. These are obvious failures. When one partner emerges as a clear winner and reaps more benefits than the other partner, the cooperation has similarly failed to fulfil objectives, at least for the losing partner (Lasserre & Schutte 1995, 212).

According Lasserre & Schutte (1995, 212-213), they mentioned several reasons why partnerships fail. Some fall victim to insufficient preparation and negotiation, while others suffer from incongruity in the partners' objectives which leads to the strategic misfits of culture, organization and resources. A disparity in the partners' ability and motivation to learn from each other and their alliance may also be decisive cause for failure. Finally, external factors such as a change in the market, in technology or in government regulation can also leads to failure.

In Lasserre and Schutte's book, (1995, 213-214) they mentioned, due to the complexity and the long-term nature of the agreements, a clearly defined measure of the success or failure of global partnerships does not exist. Failure on sales, market share and profits can provide indications but have to be related to the time horizon and to the geographical importance of the specific venture. While difficult to quantify or evaluate, the improvement of technologies, growth of organisational capabilities, or the spread of brand images are soft criteria which may be more significant than hard data. So the evaluation of the global partnership is successful or not is decided by whether the both parties learn something, and gain something they were lacking before, everyone gets what everyone's need and that is enough.

5. CURRENT SITUATION OF CHINESE SMES INTERNATIONALIZATION

Currently, majority of Chinese SMEs are looking for to engage in international market, but most of SMEs are unqualified to reach the required level of internationalization. The companies are looking for a "short cut" to get engaged to the international market. As the result of China becoming a member of the WTO the amount of the competition the companies are facing is becoming more severe. There are some obstacles on their way (Qian Xiao-li 2009, 157).

Secondly is logistic, in the beginning of the 20th century a lot of foreign companies located their factories in China or chose a Chinese factory to manufacture their products. Nowadays, more and more Chinese SMEs are no longer limited by processing products, they want to take more shares from international division of labour, so they increased the processing price and labour costs, hence these foreign companies' cost is increased, and after that they have to relocate their factory to a cheaper place (Yu Jian-guo 2009, 35).

If these foreign companies were relocated, it would directly influence on these Chinese SMEs. They do not have enough experience to produce their own competing products, and these companies would have difficulties in surviving (Yu Jian-guo 2009, 36). When China was accepted to WTO, Chinese SMEs faced lots of challenges, such as research and development problems, brand positioning, high-tech and professional personnel recruiting, creation of the international marketing system and cross-border procurement. All the mentioned elements are needed for innovative vision and the ability to do innovative support (Yu Jian-guo 2009, 37).

Despite these difficulties, the Chinese government implemented in 2005 the "SMEs Promotion Law", explicitly encouraging qualified SMEs to invest abroad, participate in international trade (Qian Xiao-li 2009, 162), and explore the international market, which undoubtedly encourages small and medium-sized enterprises to break through these difficulties and to provide policy guarantee.

International development strategy of Chinese enterprises is to deal with economic globalization, and it is the inevitable choice. Currently, the globally social network of large-scale production has been formed, the traditional natural resources and product-based division of labour system has been broken, multinational corporations play more and more important role in global economic activity. The domestic market is suffering internationalization and international competition in domestic market is getting more and more intense, this new competitive view has been formed (Yu Jian-guo 2009, 127). The trend of globalization requires companies to become an international enterprise. This trend is irreversible, but also unavoidable.

6. METHODOLOGY

What is methodology? The term, methodology refers to the way in which we approach problems and seek answer (Taylor 1998). In order to know whether innovation in Chinese SMEs is feasible, I did some researches to collect relative information. Data can be collected and analyse by several methods. Basically, there are two main methods are used to collect primary data, the quantitative method and qualitative method (Veal 2006).

6.1 Definition of quantitative research method and qualitative research method

Quantitative method is "use numbers to represent business situation, to determine solution to business problems..." It could be used to collect the massive information, such as the social situation, people's perspectives and the market trend (Neuman 2006).

Different from quantitative research method, Anselm and Juliet (1998) indicated, in speaking about qualitative analysis, we are referring not to the quantifying of qualitative data but rather

to a nonmathematical process of interpretation, carried out for the purpose of discovering concepts and relationship in in raw data and then organizing these into a theoretical explanatory scheme. Because of the topic, the process will relate only to one company and one people, so I decided to use qualitative research method.

6.2 The characteristics of qualitative research method

Taylor and Bogdan (1998) point out, qualitative methodology, like quantitative methodology, is more than a set of data gathering techniques. It is the way of approaching the empirical world. Qualitative research is inductive. In qualitative studies researchers follow a flexible research design. They begin their studies with only vaguely formulated research question.

In qualitative methodology the researcher looks at settings and people holistically; people, settings, or groups are not reduced to variables, but are viewed as a whole. The qualitative researcher studies people in the context of their past and the situation in which they find themselves.

Qualitative researchers try to understand people from their own frame of references. Qualitative researchers empathize and identify with the people they study in order to understand how they see things. The qualitative researcher suspends, or sets aside, his or her own beliefs, perspectives, and predispositions. Nothing is taken for granted. Everything is a subject matter of inquiry.

For the qualitative researcher, all perspectives are valuable. The researcher seeks not “truth” or “morality,” but rather a detailed understanding of other people’s perspective. Qualitative methods are humanistic. When we study people qualitatively, we got to know them personally and experience what experience in their daily struggles in society.

Qualitative researchers emphasize validity in their research. Qualitative methods allow us to stay close to the empirical world. They are designed to ensure a close fit between the data and what people actually say and do.

For the qualitative researcher, all settings and people are worthy of study. No aspect of social life is too mundane or trivial to be studied. All settings and people are at once similar and unique. They are similar in the sense that some general social processes may be found in any

setting or among any group of people. Qualitative research is a craft. Qualitative methods have not been as refined and standardized as other research approaches.

This is in part of an historical artifact which is changing with the publication of books such as this one and first-hand accounts of field researchers, and in part a reflection of the nature of the methods themselves. Qualitative researchers are flexible in how they go about conducting their studies.

6.3 Qualitative research method process

Qualitative methodology needs a flexible step to summarize a research design and conduct than other steps. Much qualitative research involves a more changeable relationship between the various factors of the research. Veal (2006) define qualitative methods as 'an array of interpretive techniques which seek to collect large number of information from few people rather than limited information from large number of people'. In qualitative research method process, interview is the most important and common method to collect qualitative information.

6.4 Interview as data collection method

Data can be collected in a variety of ways, in different setting, and from different sources. Interview is a very important method in data collection methods (Sekaran 2000).

Some authors (Zikmund, 2000; Robson, 2002; Seidman, 2006; Denzin and Lincoln, 2008) summarized different types of interview as Table 1 shows.

Table 1: Different types of interview (Zikmund, 2000; Robson, 2002; Seidman, 2006; Denzin and Lincoln, 2008)

	Characteristics
Structured interview	<ol style="list-style-type: none"> 1. Like a spoken questionnaire with a strictly schedule and can't be changed response options. 2. Use pre-set questionnaires based on a predetermined. 3. Context is relevant to the research topic. 4. The order of questions may be different.
Unstructured interview	<ol style="list-style-type: none"> 1. Available in many different situations. 2. The objective generally is a hypothesis. 3. Can be used to explore in a deep area which the researcher is interested. 4. Usually, the questions are open-ended and the interview could be conducted as a friendly conversation and with no predetermined order of questions. 5. The data gathered are usually in the forms of words, so it makes more effectively than other methods.
Semi-structured interview	<ol style="list-style-type: none"> 1. It is an intermediate form, to combining the structured and unstructured interview together. 3. A guided, concentrated, focused, and open-ended communication. 4. Have an overall topic, genera themes, targeted issues, and specific questions. . 5. More flexible than structured interviews, but have more focus than unstructured interviews.
Telephone interview	<ol style="list-style-type: none"> 1. One common type typically in current time. 2. Widely used in market research and is becoming more acceptable in academic research. 3. The main advantage is easy access, fast speed and low cost. 4. But it cannot provide any details and cannot observe what respondents really do during the interview.
Group interview	<ol style="list-style-type: none"> 1. It is like to be relatively unstructured and fairly free-flowing. 2. Similar to in-depth interview but the interview target is a group of people. 3. Interaction between subjects takes place frequently 4. The interviewer should act as host of the discussion that occurs.

In this research, I chose to conduct semi-structured interviews. The reason why choose this rather than other types is because that I did not ensure whether these predetermined questions are suitable for the topic and the interviewee thought this type can carry on this interview more smoothly and the themes could be various – it is more flexible than structured interview, and has more focus than unstructured interview. However, Eastern people, especially the Chinese, are not good at or do not want to express themselves too much, especially when the

theme is related to their business strategy. Moreover, because of the topic of research, it seems to be impossible to get another manager's views at a same time. Hence, the author chose the semi-structured interview to use with only one manager by face-to-face. Because another interviewee is currently in China, so I had to interview him via Skype.

After the preparation of the interview, I interviewed two persons: Liu Yi, he is the chief representative of MHG China. Another one is Peter Chen who is a manager of Chinese ERP (Enterprise Resource Planning) Software Company. During these interviews, we can definitely figure out what problems the Chinese SMEs are confronting and on the other hand what MHG will be confronting when opening the Chinese market. Meanwhile, because these two companies are going to co-operate the Chinese market in the future, so relying on the problems, we can build a completely reasonable suggestion for these two companies, and what the Chinese company can learn from a Finnish company.

7. CASE STUDY OF INTERNATIONALIZATION OF FINNISH SMES

The core of technology innovation system in Finland is enterprises. Enterprise is both an important participant in technology development, but also direct application of scientific and technological achievements and beneficiaries. The Government of Finland according to what their national conditions decided directly supports research and development of the enterprises. Currently, the Finnish government funds many of the key areas of green technology for SMEs, and establishes national economic development of innovative mechanisms, and in practically.

Nowadays Finnish SMEs have been formed from education and R & D investment, technological innovation, innovation, venture capital, to enhance the innovation capability of enterprises to export a set of independent innovation system. In this mechanism, the Finnish group has cultivated a new type of independent innovation for sustainable development of enterprises. MHG System is one of them.

7.1 Overviews of the MHG system and Company A

MHG Systems

MHG Systems Ltd is one of the world's leading suppliers of bioenergy ERP systems. The company utilises its partner network to produce customer-oriented IT and map service solutions designed for developing bioenergy and forest energy, and field work business operations. MHG Systems is headquartered in Finland, at the heart of one of Europe's most heavily forested areas, from where the company offers its services to customers around the world.

MHG was founded in 2005. Its CEO, Seppo Huuriainen, understands the bioenergy industry thoroughly. In Finland, there was a lot of forest waste, like residues, stumps, fallen trees and woodchips – the kind of waste that could be transformed into electricity and heating energy. Usually, such transactions are done via phone or email, so the players don't know any information about the quality and quantity of the biomass being converted. In short, biomass flow cannot proceed efficiently among all the players in a biomass supply chain. They might miss opportunities to reduce time, waste and operating costs (Wang Yu, 2010).

Company A

Company A is the leader and developer of Chinese SMEs management software. Company A has focused on informationalization of SMEs for a long time, and offers different informationalization solution plans for different companies in different growth phases. The product range is covering: financial activities, ERP (enterprise resources plan), CRM (customer relationship management), OA (official Automatic), E-business and Mobile business.

While developing the common software, Company A went deep in IT, telecommunications, medicine, clothing, food, hardware, building materials, auto parts and other different industries.

Nowadays, Company A has established 20 branch offices in China, and depends on partner relationships, has set up 1000 sales and service centres, provides informationalization consult-

ing, implementation and services, to help customer to establish simple and efficient enterprise information management system.

7.2 Interview conducted

After the preparation of interviews, I did interview two persons: Liu Yi, he is the chief representative of MHG China. Another one is Peter Chen who is a manager of Chinese ERP (Enterprise Resource Planning) Software Company. During these interviews, we can definitely figure out what problems the Chinese SME are confronting and the other hand what MHG will be confronting when opening the Chinese market. Meanwhile, because these two companies are going to co-operate in the Chinese market in the future, so relying on the problems, we can build a completely reasonable suggestion for these two companies.

7.3 Results of the analysis of the data from the interviews

In the following results of the analysis of the data are presented

7.3.1 MHG

Level of internationalization of MHG today

During its five years history in the high technology business MHG has focused strictly on their chosen target markets: information systems for bio energy and forest industries. The company has also tried to utilize the trend concerning the interest in the ecological values. Environmental friendliness is gaining popularity among their target markets.

MHG has not limited their internationalization to a single market. Instead, the company is active on several markets simultaneously. Geography does not seem to be a limitation to the company, because in addition to Europe they are operating in the US and Africa but besides those also in the domestic market. The presence in the multiple markets is based on representations.

Motives to internationalize

MHG's motive to internationalize has been the competitive situation in the domestic market. Another element in their internationalization is related to the product the company is offering. According to the company, a software product allows them to be present more easily in multiple markets than perhaps with a more physical product.

Mode of entry to international business

Exporting is the most popular mode of international business, MHG wants to expand their market in Chinese market, as I mentioned before MHG is in software industry, it is an easy way to enter Chinese market, comparing to exporting physical product, exporting software or E-business solution have lower limitation to enter in Chinese market. In software industry, Chinese market is an immature market, because of lack of protection of intellectual property. Ineffective government supervision causes a lot of illegal copy or piracy in the market. This is a very serious problem for a foreign software company, the only way to adopt in this environment, MHG must use high technology and very exhaustive back-up service to fulfil the customer's demand and it will be a big challenge for MHG.

International strategy

China

China has been chosen as a target market because of its size and potential. The market of information systems in the field of bioenergy currently is almost non-existing, and in this respect MHG is expecting a very high growth rate. The national support by the Chinese government is assumed to induce even more growth in the market.

MHG has a clear strategy for their internationalization process. Their approach is to achieve the objectives step by step. In order to be convinced that the chosen strategy is suitable MHG is at the moment conducting trials in the Chinese market. The company is not yet fully engaged into the cooperation arrangements but waits for the results from the trials. The factors MHG is trying to accomplish with its stepwise approach and trials are related to correct de-

gree of local responsiveness in their strategy. The local responsiveness will be influenced by the structure of the distribution channel, differences in customer preferences and demand between different regions. Also the infrastructure available the cultural differences will shape the strategy.

The difficulties they are expecting in the Chinese market are mainly concerning the cultural aspects of the business. They seemed to be aware of the importance of the relationships in the business and they prepared to develop the necessary relationships with their customers and partners before expecting results from the Chinese market.

Europe and North America

Europe and North America are more mature markets than the emerging markets like China. In that respect one could expect lower growth and possibly competition. In the more developed markets MHG is going to look for business partners and set up a network of representations. The company is more familiar with business practices of the Western markets compared with Chinese conditions.

The problem MHG is confronting

The biggest problem would be the different sales culture. In the Western countries, people just begin talking business directly after having seated, but in China, the local culture might have to build good relationship with partners and clients in the first place, then both parties can get into business part. But they evaluated the action to engage into Chinese market is pretty optimistic. They had a tolerant international team and culture; they also had positive value; clear marketing strategy and steps, and the capital support.

7.3.2 Company A

Level of internationalization of Company A today

During the same as MHG's five years developing, they have 100 people in their company, and most of the managers have business and IT background. The Company A is located in Chengdu which is in southwest of China, in Chengdu. Company A can have more opportuni-

ties and a lot of potential compared to another big city, such as Beijing or Shanghai, Chengdu has very good foundation of a Hi-Tech company Intel, Motorola and Cisco all have their research centre in Chengdu. Company A has pretty optimistic forecasts about the future development in Chengdu. They just selected the new CEO this year, and they want to have a brand new start. At present, Company A began to look for foreign company to corporate in case to getting more international labour divided, with a group of talented engineers, and professional sales force, products of our past had the very high recognition in the market, they also have a few factories which are located in Guangdong with good relationships.

Motives to internationalize

The motives of internationalizing of Company A is simple can clear, they thought, nowadays in China, the major problem is lack of good project, they do not need money, they just need the new project and new technology, so they need to corporate with a foreign company to bring them the new technology and support. In Chinese IT industry there is a very intense competition. They have to looking for a new opportunity to maintain our market share. A corporation with foreign company is their method.

International strategy of Company A

Firstly, they want to maintain the domestic market. Because Company A is a typical SME, so they can have a competition with a big company, but their market is more close to practical life, like some kind of management software for a specific company, or financial software for a very specific company, this is a very good business, so customizing has huge needs in China. So their company want to continue to keep the market share from this part.

Secondly, they want to continue to increase their strength in some of the leading soft wares, Like ERP software. With the development of logistics in China, ERP is developing rapidly, Chinese companies also needs this kind of system to help them with these problems.

Thirdly, they also want to learn from the Indian software industry, especially in the outsourcing software modules companies. Company A has a lot of good software programmers, the weakness is lack of persons who are familiar with international software standards and out-

sourcing software modules were, so by cooperating with foreign company they can avoid this weakness.

Internationalization steps of Company A

They do not consider to push the product into overseas market within two years, they thought they can learn more or get more information during corporate with MHG at this time. They analysed carefully all the information, then they will make a detailed of plan to push the product in European countries. Nowadays, they put more focus on introducing the programme of MHG, after that they consider the following corporation.

The reason to cooperate with MHG

They found IT industry in Finland has very well developed, and also in Finland there are a lot of SMEs, they can learn a lot of experiences from these Finnish SMEs. Chinese biological energy has to start from the very beginning, but Finland is always leading in this industry, recently Chinese government pays more attention to this area, so they want to step forward to action. They already visited Finland and MHG, both of them left them a very good impression, so they are really looking forward to this corporation.

The perspective of company A's internationalization (or corporate with MHG)

They think they will have a very good corporation, with the new programme MHG bring to Company A, with their foundation in China, they think the prospects are very optimistic.

8. DISCUSSION

At the beginning of the study, author indicated three research questions, which are:

1. How compatible are the Chinese and Finnish SMEs operating in software industry?
2. How have successful Finnish SMEs in software industry formulated their internationalization strategy?
3. How could Chinese software SMEs' best utilize the strategies of Finnish SMEs?

Firstly, according to the EU official definition of SMEs (EN Official Journal of the European Union, 2003, 124), both company are typically SMEs, these two company both want to internationalization in some level. Clearly, Finnish company have more experiences in internationalization, and the Chinese company is learning from the Finnish company without to find a specific way for them. Both of the company wants to expand sales, acquiring resources and minimizing risks (Daniels 2009), so they have the same objectives in some level. Both parties will gain the benefit from the collaborating, Finnish company will expand their sales in Chinese market, acquiring resources from Chinese company, such as marketing channel, distribution channel, market share, local management team, local relationships and so on. As the same time Finnish company divide the risk, in such intense competitive market. On the other hand Chinese company could learning more experiences from this cooperation with Finnish company, and new project as they expected, new technology, new conception of the product, and finally this cooperation lay a solid foundation of future internationalization plan of Chinese company.

Secondly, International strategy is about how firms compete in increasingly internationally competitive markets (John and David 1995, 4). The international strategy of MHG is mentioned by Mr Liu also, which is during the research and analysed of Chinese marketing they decided to recruit the international team, basically is sales force to expand their product to other countries. Translate their product in different languages to satisfied different consumer from target market. And set up their office in specific country so that to take market operations, to corporate with local software company.

Thirdly, the international strategy of the company A is mentioned in the interview, they choose a safer way to engage into international step by step. They want to collect date during corporates with MHG Company from European countries, in order to get deeper recognition about European market. By acting as an agent of MHG, in one hand they can expand the sales line of company itself; on another hand they can enhance the image of the company. And also co-operating with MHG can make company have international background.

Daniels (2009) mentioned that there are three major motives that may cause company to engage in international business which is expanding sales, acquiring resources and minimizing

risk. We can easily see that two of these three motives were directly mentioned by Mr.Liu, only one point Mr.Liu did not mention, but we can see the missing point is also included by MHG's internationalization objectives. Mr.Liu said the market in Finland is full, so MHG want to expand the market and expand the sales in foreign countries, like Daniels indicated, sales are always important to a company, increase sales is a major motive for a company's expansion into international market. As high-technology software company, to minimize the risk is considerable. Also mentioned by Daniels (2009), operating in countries with different business cycles can minimize swings in sales and profits. But the last point based on Daniels (2009) theory, acquiring resources, in one hand resources in this term are not only to gain the cheap labour force, but also include the new or better products, and additional operating knowledge. In my understanding, in Finland labour costs and taxes and regulation are high or strict, in foreign country maybe MHG will have more flexible environmental condition.

The entry modes for engaged in international market is very important, Exporting and importing are the most popular modes of international business, especially among smaller firms (Daniels 2009), MHG has their specific activities for this problem, like they tried to found out the market needs of the target countries in order to make sure that they are our object market, and then to make sure the success of our internationalization. They built out their international team, and to recruit staffs from all over the world that will work in the target countries.

They also translated their products and services to the target countries' languages.

And they also set up their office in the specific country so that to take market operations. They also looked for agent partners, OEM (Original Equipment Manufacturer) partners, and to sold their products directly with the local sales groups that we had established. They even established their global company culture, and to unify their company's value.

After the interview, the author found the reason why the Chinese SMEs want to engage in internationally and do international business. On the other hand, the author still found why Chinese SMES are so difficult to enter to international markets and what are the core elements the Chinese SMEs should be learn from Finnish SMEs.

MHG

The results of the analysis indicate that the current situation of this company matches the definition of European Union commission. The reason they do international business is very clear, as Daniels mentioned (2009), MHG wants to expand sales in Chinese market, and to avoid risk (intense competition) in domestic country. Based on this situation, the methods for MHG going international should be non-equity methods, In this form of internationalization, companies sell technology or know-how under some form of contract, often involving intellectual property, like patents, trademarks and copyrights (Stuart and Bronwen 2001, 22), which mean the company sell technology or some kind of knowledge to a foreign company, the specific way of corporation will be decided later. But basically we can found, in recent years, this kind of technology output has become more and more frequent especially between developed countries and developing countries.

As we can see from the interview, Mr Liu still expressed that the MHG have very clear target and aim for their international business, and already make a huge step for internationalization, such as:

- The products of their company is internationally
- In their web-site they have 5 languages
- They already send Mr.Liu back to China, to open the Chinese Office of MHG
- Corporate with one of Chinese Software Company

The corporate is a vital step of MHG play in Chinese market, as the author mentioned before, All of these actions indicated MHG's determination of internationalization strategy, and till now, it seems very successful.

Company A

Compared with MHG, this Chinese Software company has the consideration to engage into international market, but they do not want to push it so hard on the schedule.

The current situation of this company also matches the definition of European Union commission. The reason they do international business is also clear, Company A want to acquiring resources (technology and additional operating knowledge) and later on they thought about expand sales in European market.

The methods for Company A going international, in some kind of level it is more like licensing in non-equity method, which means the MHG company perhaps will sign an contract with Company A, and to let them to continued developing this software, and let this kind of product be more easily to adopted by Chinese customers. And on the other hand, the MHG maybe allow that Company A will sell the product by using Company A's brand, to avoid some kind of weaknesses or risks of a foreign company that wants to engage a brand to new market.

The specific details of corporation will be decided later. But basically we can found, in recent years, this kind of corporation has become more and more frequent with Chinese company and foreign company: foreign company offers technology and advanced management skills or experiences, Chinese company offers market and labour force.

Generally speaking, the research results is matched with the theoretical framework, the motivation of internationalization is the same of both companies, the entry mode is utilized by Finnish company, and Chinese company take more passive way on internationalization process, international strategy is also utilized by both company, and it seems the cooperation is works find, and both parties are looking for the possibility of deeper cooperation with each other.

9. SUGGESTION AND CONCLUSIONS

Finland is one of Nordic countries with five million population, but Finland is one of most developed countries, the GDP of Finland is above the average level in European Union, although Chinese economic has grown rapidly, and has trend to sustained growing. But China still in the middle of development process, so China needs a lot foreign capital and technology to support the development. In this case, author think Chinese SMEs should learn some les-

sons from Finnish SMEs. Perhaps, one Chinese company will spend 20 years to be leading in the world, but some of Chinese companies are already leading at least in their industry, but the problem is why they cannot move one more step to be a successful company like Nokia or Google? Nowadays when Chinese SMEs are still in period of creativity, government should encourage SMEs in different ways, but also the SMEs themselves must have the clear picture about future development of the company. This becomes the vital question for most of Chinese SMEs.

In this thesis, author listed the main idea related to internationalization of SME, definition of international business, motives to do international business, modes of entry to international business and finally internationalization strategies of SME. These theoretical frameworks give some introductions about international business. In the case study, the author interviewed two companies, and tried to find out what were the differences between Chinese SME and Finnish SME, and tried to analyse the advantages of a Finnish SME, and what a Chinese SME should learn from Finnish SME, and at last how Chinese SME could utilize the internationalization process strategies of Finnish SMEs.

During this study, author found that not only big company will make fortune for the country, SMEs also is an important part. SMEs are more flexible, responsiveness is faster than big company. For internationalization, Finnish company clearly has more experiences than Chinese company, also author want to mention that, government gives a great help in this activity (internationalization), financial aid of government, and different kinds of favourable policies, with this help, Finnish SMEs grown so rapid, so the same situation in China, the government should put more focus on SMEs development, give more beneficial condition for SMEs, try to create a broader way for Chinese SMEs.

As the author mentioned, Chinese SMEs still have a long way to go, Chinese SMEs should consider how to survive in such intense competition meanwhile to consider being stronger and bigger in future development. After cooperation, there are still a lot of problem, as the author mentioned in failure and successful of global partners, Every SME wants to be successful, but not every SME can achieve this goal. Chinese SMEs have to reject the disadvantages in management and strategy management, continuous learning in innovation process, to

get real improvement. In a short time accumulate, Chinese SMEs will be walking on the healthy development way.

Because of time limitation and learning ability, the author can only analyse the internationalization activities of SMEs in a superficial level, in future's studying and living, author will continue focus on the development of Chinese SMEs and Finnish SMEs.

BIBLIOGRAPHY

BOOKS:

Daniels, John D. et al 2009. International Business-environments and operations. United States of America. Pearson Education Inc.

Denzin, Norman K. and Yvonna, Lincoln, S. 2008. The Landscape of Qualitative Research. London: SAGE Publications.

Ellis, John and Williams, David.1995.International Business strategy. Great Britain. Pitman Published.

Faulkner, D 1995. International strategic alliances, United States. MacGraw-Hill.

Hill, Charles. W.L., 2007. International Business Competing in the Global Marketplace, Irwin: McGraw Hill.

Lasserre, Philippe and Schutte, Hellmut. 1995. Strategies for Asia Pacific, Great Britain. Macmillan Press LTD.

Luo Wen-hao.2009. Internationalization of Chinese SMEs. Demos Publishing Company, Beijing.

Neuman, W.L 2006. Social Research Methods: qualitative and quantitative approaches. Pearson Education Inc.

Robson, Colin 2002. Real World Research. Blackwell Publisher, Inc.

Rugman, Alan M. and Hodgetts, Richard M. 1995. International business a strategic management approach. McGraw-Hill, Inc.

Strauss Anselm and Corbin Juliet 1998. Basics of Qualitative Research. Sage publications, Inc.

Stuart Wall and Bronwen Rees 2001. Introduction to international business. England. Pearson Education Inc.

Seidman, Irving 2006. Interviewing as qualitative research: A guide for researchers in education and the social sciences. New York Teacher College Process.

Taylor, Steven J. and Bogdan, Robert 1998. Introduction to Qualitative Research Methods. John Wiley & sons, Inc.

Uma Sekaran 2000. Research methods for business. John Wiley & sons, Inc.

Veal, A.J 2006. Research Methods for Leisure and Tourism- a practical guide. Pearson Education Inc.

Yu Jian-guo.2009. Chinese SMEs developing strategy research. Demos Publishing Company, Beijing.

Zikmund, William G. 2000. Business Research Methods. Fort Worth, TX, Dryden Press.

ARTICLES:

Johanson, J and Vahlne J.E 1977. The internationalization process of the firm. Journal of international Business Studies.

Leonidou, L. C., and Katsikeas, C. S. 1996. The export development process: An integrative review of empirical models. Journal of International Business Studies.

Li Jia-wei 2009. 10 years Chinese internationalization from 2001 to 2009. Journal of Wuhan University.

Mohibul Islam Masum & Fernandez, Alejandra 2008. Internationalization Process of SMEs: Strategies and Methods. Mälardalen University School of Sustainable Development of Society and Technology Västerås Sweden.

Qian Xiao-li. 2009. A study of the SMEs of China's current development situation and improving measure. Journal of Chongqing University of Posts and Telecommunications.

ELECTRONIC SOURCES:

Wang Yu. 2010. Green Finland the homeland of Cleantech Innovation. WWW-document. http://feccinchina.chinaenvironment.com/view/info_4.aspx?n=50. Updated 27.11.2010. Referred 20. 12. 2010

Guangdong Province October 2010 the proportion of total amount for imports and exports.2010. WWW-document.

http://www.gdstats.gov.cn/tjsj/dwmy/jckze/t20101116_79951.htm. Updated 30. 11.2010. Referred 12.12.2010.

Obitea. 2010. WWW-document. <http://www.obitea.com/upp.html>. Referred 15.01.2011

APPENDICES

The first interview interview took place in 16th Jan 2011, 2:00 PM in Mr Liu-Yi's office who is chief representative of MHG China. After greetings, we officially started our interview.

The second interview took place in 22nd March 2011, 15:00 via Skype, All these dialogue between me and two interviewee is in Chinese, so I translated and organized from Chinese edition to English edition, so if there are any inappropriate content, it is all my responsibility.

Appendices 1

Interview 1

How is your current business?

Our Company has founded for five years, specializing to provide informational solutions for biological energy and forest industry. At present, we began to start exploring the international market, for example, Spain, Germany, US, Portland, Italy, and countries in African while developing the market of Finland at the same time. We also have sales representatives to help promoting our services in those countries. The other part is that we take part in plenty of projects that related to Europe biological energy and environmental protection. This is our company's current situation of our business.

Why you want to engage to international business?

Because in Finland, the market is almost full, we have a lot of competitors, in case you want to survive, you have to expand your market to the foreign country. However MHG is a Hi-Tech software company, so the risk of engage into another country will be lower than other industry.

Why you wish to explore the international market?

a. First we have a very limited market in Finland. We need to explore the international market if we want to have more market share.

- b. Our IT system does not have any marginal cost, which just like you can use MICROSOFT system everywhere in this world. Our business pattern determined that we need to be internationalized.
- c. The perspective of our company were supported by risk investor, and they are also willing to give us support on explore the international market. Therefore, this is the request of our investors.
- d. We had ample operating experiences in over 60 countries, and we had a lot of potential international clients.

What the step of your internationalization? a. First we have to find out the market needs of the target countries in order to make sure that they are our object market, and then to make sure the success of our internationalization.

- b. We have to build out international team, and to recruit staffs that will work in the target countries.
- c. We also need translate our products and services to the native languages.
- d. We will set up our office in the specific country so that to take market operations. We also have to look for agent partners, OEM (Original Equipment Manufacturer) partners, and to sell our products directly with the local sales groups that we had established.
- e. We will establish our global company culture, and unify our company's value.

What is your global marketing strategy in European countries and North America?

We have to steps in Europe, the first one is looking for business partners, and the second is setting up local sales representatives in those countries.

To be a director that responsible to Asian and Pacific area, why do you choose China as your next market?

- a. We discovered that China has a huge market.
- b. In many of the Western countries, each industry has its mature information system, but China's informationalization of biological energy has to start from the very beginning, which has a great potential. So we are so much willing to invest to such developing countries like China.
- c. China's development speed is very fast, and the government will give great support to companies like us.

What is your anticipation of possible difficulties? How do you deal with those difficulties?

The biggest problem would be the different sales culture. In the Western countries, we just begin talking our business directly after having seat, but in China, we might have to build good relationship with our partners and clients in the first place, then we can get into business part.

How do you say the perspective of your company's internationalization?

Pretty optimistic! We had a tolerant international team and culture. We also had positive value, clear marketing strategy and steps, and the capital support. We are very confident for our internationalization!

Appendices 2

Interview 2

Why you want to engage to international business?

In China, the major problem is lack of good project, so we need to corporate with foreign company to bring us new technology and support.

Why you wish to explore the international market?

- a. In IT industry, we have a very intense competition here in China. We had to looking for new opportunity to maintain our market share. Corporate with foreign company is one of our methods.
- b. Corporate with foreign company, we also can hope them to bring something new, in order to help us to enhance competitiveness. In the other hand we will consider the specific situation in China, weather this company or the product is appropriate.
- c. we also looking for it, to corporate with foreign company, we can also open the foreign market, to expand sales line.

Can you describe the international strategy of your company?

Firstly, we have to maintain the domestic market, actually in China, some software SMEs has very large living space. Because we cannot compete with Microsoft or BEA or Oracle Software, so like some kind of management software, of financial software have very good market, because the difference between companies, so customized has huge needs in China. So our company must continue to keep the market share from this part.

Secondly, continue to increase our strength in some of the leading software. Like ERP software, with the development of logistics in China, ERP is developing rapidly, Chinese companies also needs this kind of system to help them with these problems.

Thirdly, Learn from the Indian software industry, especially in the outsourcing software modules companies. Our company has a lot of good software programmers, the weakness is lack of person who familiar with international software standards and outsourcing software modules were, so to corporate with foreign company we can have this strength.

What the step of your internationalization?

We will not consider push our product into overseas market within two years, we hope we can learn more or get more information during corporate with MHG at this time, we have to analyse carefully all the information we have got, then we can make a detail of plan to push our product in European countries, nowadays, we more focus on Introduced the programme of MHG, after that we consider the next corporation.

To be a manager of your company, what is your opinion to corporate with MHG?

- a. We found that IT industry in Finland has very well developed. And also in Finland there has a lot of SMEs, we can learn a lot from these SMEs.
- b. Chinese biological energy has to start from the very beginning, but Finland is always leading in this industry, recently Chinese government pay more attention in this area, so we want to step forward to do that.
- c. We have visited Finland, and MHG company, both of them leaves me a very good impression, Finland is a very beautiful country, and MHG is a very good company, so we really looking forward to this corporation.

How do you say the perspective of your company's internationalization (or corporate with MHG)?

I think we will have a very good corporation, with the new programme MHG bring to us, with our foundation in China, I think the Prospects are very optimistic.